Explicit subsidies of the Central Government

(Rupees crore)

	2007-08 (Provisional Actuals)	2008-09 up to October, 2008
Food subsidy	31328	28673
Fertilizer subsidy	32490	32686
Petroleum subsidy	2820	1306

Source: Controller General of Accounts, Ministry of Finance.

Trading in currency future

1598. SHRI S.S. AHLUWALIA: Will the PRIME MINISTER be pleased to state:

(a) whether Government has launched the facility of trading in currency future in Indian stock exchanges;

(b) if so, the details thereof indicating salient features of the facility and the objectives behind its launching;

(c) the details of regulatory mechanism, if any, dedicated to governing the conduct of the 'currency future trading' facility;

(d) whether similar facility has been in vogue in several other countries; and

(e) if so, the details thereof indicating extant regulatory mechanism in the respective countries and their comparison with those introduced in India?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Yes. Sir.

(b) The exchange traded currency futures started trading first on the National Stock Exchange on August 29, 2008, followed by the Bombay Stock Exchange and the Multi Commodity Exchange - Stock Exchange (MCX-SX) on October 1, 2008 and October 7, 2008, respectively.

The salient features of exchange-traded currency futures are as under:-

i) Underlying- US Dollar - Indian Rupee (USD-INR)

ii) Trading Hours- 9 a.m. to 5 p.m

iii) Size of the contract- USD 1000

iv) Quotation- in Rupee terms

v) Tenor of the contract- maximum maturity of 12 months

vi) Available contracts-monthly maturities from 1 to 12 months

vii) Settlement in Indian Rupee

viii) Settlement price- Reserve Bank of India Reference Rate on the date of expiry

ix) Final settlement day-last working day (excluding Saturdays) of the month.

In India currency risks, so far, could be hedged mainly through forwards, swaps and options which are traded over-the-counter (OTC). The main advantage of currency futures, which are traded in recognised stock exchanges, over its closest substitute *viz*., forwards traded over-the-counter lies in price transparency, elimination of counterparty credit risk and greater reach in terms of easy accessibility to all. Currency futures are expected to bring about better price discovery and also possibly lower transaction costs. From an economy-wide perspective, currency futures contribute to hedging of risks and help traders and investors in undertaking their economic activity.

(c) As the product is exchange traded, the conduct of currency futures trading facility is being regulated jointly by the RBI and the SEBI. Currency futures trading takes place with the prior approval of SEBI on a stock exchange recognized by SEBI and having nationwide terminals through an online screen-based trading system. The exchanges have an online surveillance capability which monitors positions, prices and volumes in real time so as to deter market manipulation. In addition, comprehensive risk management and margining framework are also prescribed for the governance of the exchanges.

(d) Yes. Sir.

(e) Exchange-traded currency futures are available in various jurisdictions / countries including USA. Mexico, South Korea, South Africa and Brazil. In most of the advanced countries separate Securities and Exchange/Futures Trading Commissions are formed to oversee the facility. In emerging economies like Brazil and South Africa joint regulation by the Central Bank and the Securities and Exchange Commission or similar authorities is in vogue. Indian regulation in this regard compares well with those of the emerging economies.

Measures to curb price-rise

1599. SHRI MATILAL SARKAR: Will the PRIME MINISTER be pleased to state:

(a) the steps taken by Government to curb price rise during the last one year;

(b) whether Government has made any assessment as to what extent the measures of Government like reduction of custom duty etc. have resulted in the decrease of price-rise;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (d) Containment of inflation continues to remain high on the agenda of the Government. Anti-inflationary policies of the Government include strict fiscal discipline, rationalization of duties on essential items, permitting import of wheat, rice and pulses at zero duty, effective supply-demand management of essential commodities, procurement and distribution of essential items of consumption by the poor through Public Distribution System (PDS). In addition to the fiscal and administrative measures initiated by the Government, the monetary policy of the Reserve Bank of India has attempted to contain inflationary expectations arising from domestic and international environment. The point-to-point inflation rate as measures by the Wholesale Price Index (WPI) has decelerated from 12.91 per cent on August 2, 2008 to a level of 8.00 per cent as of November 29, 2008.